



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
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WASHINGTON DC 20350-1000

SECNAVINST 7043.7
ASN (M&RA)
August 7, 2014

SECNAV INSTRUCTION 7043.7

From: Secretary of the Navy

Subj: DEPARTMENT OF THE NAVY POLICY FOR THE OPERATION AND
MANAGEMENT OF THE NONAPPROPRIATED FUND PURCHASE CARD
PROGRAM

Ref: (a) DoD Instruction 4105.67 of 26 February 2014
(b) DoD 7000.14-R, Financial Management Regulation,
Volume 13, (current edition)
(c) SECNAVINST 7043.5B
(d) DoD Instruction 1015.15 of 31 October 2007
(e) SECNAVINST 5401.2A
(f) 41 U.S.C.
(g) 40 U.S.C.

Encl: (1) Responsibilities
(2) Unauthorized Use of the NAF Purchase Card
(3) Nonappropriated Fund (NAF) Internal Control
Requirements

1. Purpose. To establish overarching policy and management responsibilities for the Department of the Navy (DON) Nonappropriated Fund (NAF) Purchase Card Program.

2. Applicability

a. This policy applies to all DON Nonappropriated Fund Instrumentalities (NAFIs) and the DON NAF Purchase Card Program;

b. This policy is supplemental to references (a) through (c); and

c. This policy does not apply to purchases using appropriated funds or appropriated fund purchase cards.

3. Policy. It is DON policy that all NAF procurements shall be accomplished per references (a) through (g). The NAF Government purchase card is used to make authorized NAF Government purchases. Additionally:

a. NAFs can be used only for purchases that support the mission of the NAFI.

b. The NAF Purchase Card Program provides NAFIs with the following:

(1) A fast and convenient method to procure official Government NAF purchases valued at or below the threshold of:

(a) \$5,000.00 for supplies and equipment;

(b) \$2,500.00 for non-personal services; and

(c) \$2,000.00 for construction.

(2) The ability to make bank payments by electronic fund transfer and corresponding opportunity to receive increased rebates based on the total volume of use and the timeliness of payments made by the participating NAFIs.

(3) A streamlined and commercially available method for DON civilian and military employees to:

(a) Make low-dollar value purchases;

(b) Reduce administrative paperwork;

(c) Streamline the certification and approval process through the use of the bank online certification and payment system;

(d) Utilize the NAF purchase card as a method of payment.

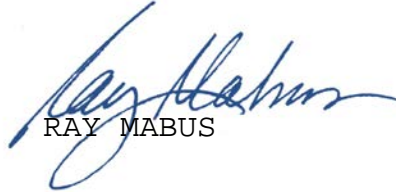
c. Responsibilities within DON for implementing policy and program guidance in this instruction are provided in enclosure (1).

4. Procedures. Enclosure (2) provides a listing of unauthorized uses of NAF purchase cards. Enclosure (3) provides internal control and reporting requirements in order to ensure that NAFI execution of the DON NAF Purchase Card Program complies with references (a) through (g).

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5. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed per Secretary of the Navy (SECNAV) Manual 5210.1 of January 2012.

6. Reports. The reporting requirements contained in enclosure (3), paragraphs 16 and 17, are exempt from reports control per SECNAV M-5214.1 of December 2005, Part IV, paragraph 7j.



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RESPONSIBILITIES

1. The ASN (M&RA) will provide program and policy oversight as follows:

a. Ensure DON NAFIs establish and implement the required NAF internal management controls as provided in enclosure (3);

b. Review and update program operating procedures and best practices as necessary;

c. Ensure DON NAFIs develop and implement a standardized training program;

2. NAF Purchase Card Program Managers at each DON NAFI Headquarters will:

a. Be responsible for the day-to-day oversight of the program for their respective NAF activities;

b. Develop internal standard operating procedures (SOPs) for all key participants, including Agency Program Coordinators (APCs), approving officials (AOs), and cardholders, to ensure that:

(1) Guidance for the formal appointment (i.e. written delegation letters) APCs, AOs and cardholders and associated responsibilities is clearly defined and articulated;

(2) Policy for the certification and payment of NAF purchase card invoices is clear and concise;

(3) Procedures in the SOPs do not conflict with the guidance provided in this instruction;

(4) Guidance is uniform among the NAFIs to the maximum extent practicable and document specific unique requirements;

(5) Required internal controls in enclosure (3) are implemented and continuously monitored by their respective NAF activities;

(6) Cardholders maintain appropriate supporting documentation for transactions, including sales slips and documentation of independent receipt and acceptance;

(7) Cardholder purchases of non-resale articles, materials, or supplies for use in the United States meet the requirements of sections 8301-8303 of reference (f), also known as the "Buy American Act," where applicable, and that appropriate supporting documentation of such purchases is maintained;

(8) A copy of the SOP is maintained on file, and a copy is provided to ASN (M&RA);

(9) The SOP clearly establishes policy to address violations of DON NAF Purchase Card Program procedures, including pecuniary liability of AOs and cardholders to recover the payment of any illegal, improper, or erroneous purchases made with a purchase card;

(10) The SOP establishes policy to invalidate the purchase card of cardholders who:

(a) In the case of an employee of the NAFI, ceases to be employed by the NAFI, immediately upon termination of the employment of the employee;

(b) In the case of a member of the armed forces, is separated or released from active duty.

c. Ensure policy compliance by all program participants;

d. Develop and implement a mandatory NAF Purchase Card Training Program with a common foundation of instruction among the NAFIs to ensure that the program is fully proficient, to include:

(1) Initial and refresher training on NAF purchase card policies, procedures, and control;

(2) Issuing bank electronic access system (EAS) process software training;

(3) A methodology to track and monitor personnel attendance and completion of mandatory purchase card training requirements, including bank's EAS training.

e. Ensure that effective internal control procedures are in place for proper management of the program;

f. Use bank's EAS that provides capabilities to examine irregular activities and identify possible instances of cardholder fraud, waste, and abuse;

g. Closely monitor discrepancies and take timely corrective actions when necessary to prevent further occurrences; and

h. Follow up on all notifications of suspicious card activity to include recommending possible administrative and/or disciplinary actions for noncompliance to their supervisor.

3. The APC is responsible for conducting monthly reviews to verify that account profile information is current, training is completed by all participants, span of control is adequate, the number of cards is sufficient, and to ensure overall compliance with the program policies, procedures, and controls.

4. The AO is responsible for ensuring proper use of the NAF purchase card and is considered to be the program's first line of defense against misuse, abuse, and fraud.

5. The Cardholder is responsible for purchasing supplies and services and maintaining proper supporting documentation.

6. The Finance and/or Accounting Department is responsible for ensuring bank payments are made on time and prompt payment requirements are met, providing advice on legal or regulatory constraints for the use of funds, and to ensure transactions are recorded timely in the accounting system.

UNAUTHORIZED USE OF THE NAF PURCHASE CARD

1. The DON NAF purchase card shall not be used for the following purposes unless specific exceptions are approved by ASN (M&RA). (Note: DON NAF Purchase Card Program managers may identify other unauthorized uses):

a. Cash advances.

b. Official NAF Government travel-related purchases. Rental or lease of motor vehicles associated with NAF travel or temporary duty supported by official travel orders (purchase of airline, bus, or train tickets); purchase of meals, drinks, lodging, or other travel or subsistence costs associated with Government official travel. The Government Travel Charge Card covers these expenses.

c. Rental or lease of land or buildings. Exception: NAF purchase card may be used to pay a room set-up fee for official NAF functions.

d. Purchase of classified items.

e. Purchase of supplies and equipment exceeding \$5,000. Exception: Procurement staff appointed with contracting signature authority or warrants may use the purchase card up to their authority level; the cardholder appointment letter shall specify so accordingly.

f. Purchase of non-personal services exceeding \$2,500.

g. Purchase of construction services exceeding \$2,000.

2. NAF purchase cardholders must be Government employees. NAF purchase cards shall not be issued to Government contractor personnel.

NONAPPROPRIATED FUND (NAF) INTERNAL CONTROL REQUIREMENTS

1. Training. All participants of the NAF Purchase Card Program are required to receive appropriate training. All required training must be completed prior to participants being issued a written delegation letter.
2. Functional Responsibility Controls. Functional responsibility controls require the NAF Purchase Card system to be able to segregate role-based capabilities and limit access to these functions to individuals with appropriate authority. The system must be able to identify who made any file content changes in the end-to-end purchase card process.
3. Systems Access. Systems access security requires appropriate safeguards to be in place to control issuance and safeguarding of access credentials to the bank's EAS.
4. Cardholder Account Initiation. Only the supervisor or AO of a government employee may request the opening of a new cardholder account. All requests must identify appropriate card parameters.
5. Authorization Controls. Authorization controls of the NAF purchase card include appropriate spending limits, and any applicable restrictions e.g., transaction volume and merchant category codes. Each cardholder receives a written delegation that establishes the single purchase and monthly spending limits, as well as applicable restrictions. These spending limits should be jointly established by the responsible fund certifying official, financial managers, and the APC to ensure adequate funds availability, and monitored and adjusted by the APC as necessary to accomplish mission requirements and minimize NAF liability.
6. Span of Control. The span of control implemented by DoD establishes a policy that limits the number of cardholders assigned to AOs to ensure the AOs will have sufficient time to complete their reviews. Additionally, APCs have a limit on the number of cardholder accounts under their purview. There should be no more than seven cardholders assigned to an AO and no more than 300 participants (AOs and cardholders) assigned to an APC.

7. Separation of Duties. Proper separation of duties shall be maintained. Key duties such as making purchases (cardholders), receiving merchandise (independent receiving individual), reviewing and approving transactions (AO), certifying invoices for payment (Billing/Financial Service Officer), certifying availability of funds (Finance and Accounting), and reviewing and auditing functions (APC) will be assigned to different individuals within the NAF purchase card hierarchical structure to ensure proper management controls and to minimize the risk of fraud, abuse, or misuse to the greatest extent possible. For example, Billing Officials will not be cardholders within the same managing account. Property Book Officers or equivalents will not be cardholders with authority to purchase accountable items. Purchase cardholders and individuals issued a convenience check will be assigned an AO other than the cardholder with the authority to approve or disapprove transactions. Resource or Financial Managers will not be cardholders or Billing Officials with responsibility for executing their own funds. The program must also ensure independent verification of receipt of property.

8. Purchase Log. The bank's EAS shall document purchase information for each transaction made. At a minimum, entries to this log will include an item description or general commodity code e.g., office supplies, the merchant, the date purchased, the name of the recipient of the item, and the total purchase amount for each transaction, as well as any additional data required by component-specific instructions.

9. Management Controls. Management controls are in place due to the expected benefits and related costs of internal control activities. Management officials are responsible for establishing a process of internal control to provide reasonable assurance that:

a. The NAF purchase card is used efficiently, economically, effectively, and legally to achieve the purposes for which the program was established.

b. The NAF purchase card complies with applicable laws and regulations.

10. Transaction Review by Cardholder. Cardholders shall perform transaction reviews during each billing cycle.

Cardholders are required to review the transactions in the bank's EAS against supporting documentation for each card purchase. The electronic review requires the cardholder to reconcile, reallocate to an alternate line of accounting, approve, or dispute as appropriate, each transaction. Additionally, the cardholder must approve the Statement of Account in its entirety once all individual transactions have been reviewed in the manner described above.

11. Review by AO. The AO shall review each transaction made by cardholders under that managing account to ensure all supporting documentation is obtained and correct, including independent verification of receipt of goods and/or services, proper completion of cardholder reviews, proper documentation of receipt of all accountable property, verification that all transactions were necessary NAF purchases, and performance of any other administrative functions required by the NAF Purchase Card Program. The AO will verify that the items listed are correct and proper for payment from the funds designated and that the proposed payment is legal, proper, and correct.

12. Dispute Authority. Dispute authority gives the cardholder 60 days from the date of the billing statement to formally dispute transactions with the issuing bank.

13. System Administration Integrity. System administration integrity requires all changes to the operating system environment to be documented.

14. Transaction Data Integrity. Transaction data integrity restricts cardholders from being able to alter transaction data after electronic approval by the AO and after the transaction has been marked "exported." Cardholders and AOs may change accounting data and notes until exported.

15. Data Exchange Security. Data exchange security requires the transmission of all electronic account data to be processed through secure lines of communication.

16. Performance Metrics. Each agency must maintain and report data and performance metrics. NAF Purchase Card Program Managers and other stakeholders need timely and accurate data to assess: compliance with legislative and administrative requirements; the effectiveness of efforts to mitigate risks of

fraud, waste, and abuse; and performance trends in managing costs and other relevant indicators of program success.

a. Agencies are required to report to ASN (M&RA), and maintain for their own use, the following statistical and narrative information for purchase cards:

(1) Number of cards and active accounts;

(2) Charge card dollars spent; total refunds earned;

(3) Ratio of Purchase Cardholders to Approving Officials (span of control);

(4) Number of Purchase Cardholders with contracting signature authority or warrants at or above \$5,000;

(5) Number of Purchase Cardholders with transaction limits of more than \$5,000 that do not hold contracting signature authority or warrants.

b. Commander, Navy Installations Command Fleet and Family Readiness, Navy Exchange Service Command, and United States Marine Corps, Semper Fit and Exchange Services Division, shall submit annually the above listed statistical and narrative information to the ASN(M&RA) by 31 October.

17. Semi-Annual Reports:

a. In order to ensure overall compliance with the program policies, procedures, and controls, the NAF Purchase Card Program Manager at each DON NAFFI Headquarters will consolidate and submit APC semi-annual reports containing, at a minimum, the following data:

(1) Number of Approving Officials and Alternate Approving Officials who have not completed mandatory training;

(2) Number of Purchase Cardholders who have not completed mandatory training;

(3) Number of transactions for the reporting period;

(4) Number of transactions that were exported with a status of "New" during the reporting period;

(5) Number of transactions that were exported with a status of "Reviewed" during the reporting period;

(6) Number of purchases that exceeded authorized limits for construction of service purchases during the reporting period;

(7) Number of requirements that were split to circumvent the micro-purchase threshold during the reporting period;

(8) Number of failures to use mandatory sources during the reporting period;

(9) Number of unauthorized uses of purchase cards during the reporting period;

(10) Number of purchase cards reported stolen during the reporting period;

(11) Number of Purchase Cardholders with less than three transactions during the reporting period.

b. Commander, Navy Installations Command Fleet and Family Readiness, Navy Exchange Service Command, and United States Marine Corps, Semper Fit and Exchange Services Division, shall submit semi-annually the above listed statistical information and corrective actions taken (if appropriate) to the ASN (M&RA) by 30 April and 31 October.